



FOREIGN POLICY bulletin

AN ANALYSIS OF CURRENT INTERNATIONAL EVENTS

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Iran in Turmoil

by T. Cuyler Young

Political upheaval in Iran was further defined and deepened by the events of July 16-22, 1952, the week between Dr. Mossadegh's resignation and reinstatement as premier. This fateful July week also changed the balance of power and altered relationships within Iran, initiating new trends, the results of which are not yet clear.

To all but the willfully blind, it is now evident that the British are finished in Iran, with no hope of return to former prerogatives, economic or political. The position and prestige of Mossadegh have been enhanced sufficiently to make clear it is with him that any settlement of the oil controversy must be negotiated, short of internal collapse and chaos in Iran or the application of force.

The only alternative to such negotiation and settlement appears to be increasing economic and political deterioration, with eventual administrative anarchy and the possibility that the Tudeh (Communist) party would then be in a position to take over the government and maneuver the country behind the Iron Curtain. A die-hard reckless British element is said to believe that if things came to such a pass, the oil fields could be recaptured

and defended. The Churchill government, however, apparently agrees with Washington that such a risk of a second Korea would be dangerous. Hence Britain's concessions in recent negotiations with Mossadegh, the last of which has probably not yet been made.

These concessions, plus the efforts of some independent oil companies, hold out promise of some hope for a settlement. With Western acceptance of the essential Iranian demands for the recognition of nationalization, the nonreturn of British technicians, and Iran's freedom to sell oil to others beside the Anglo-Iranian Oil Company, negotiations appear to have turned a corner and to have entered the stage of secondary bargaining. This interpretation still stands, even after Teheran's diplomatic break on October 22 with London, whose untimely impatience and puzzling lack of perception it underscores.

An important factor bearing on these developments is the Tudeh's ability to exploit the advantage it gained in July. In some quarters that advantage has been overrated. Although the Tudeh initially assumed the leadership and nearly effected a United Front of all opposition to the appointment of Pre-

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mier Ahmed Qavam, they finally failed to exploit their opportunity to decisive advantage. Bad as was the violence of July 21, the remarkable thing is that it did not prove worse.

This does not mean that the Tudeh is no longer dangerous. Rather it implies that the party is not yet able to command broad and strategic support sufficient to deceive or to coerce the people into acceptance of its leadership. Although the initial readiness of National Front leaders to consider or to feign cooperation with the Tudeh when strongly threatened should serve as a warning, it is not likely that the Tudeh can organize a popular revolution as long as the present government has a chance to effect an oil settlement, to ease the economic strain, and to prevent governmental chaos. But unless Mossadegh can get some ready cash very soon it is possible such a chaos and danger point may be reached.

Weakening of Shah

Another significant result of the July events is the weakened position of the Shah and the Army. The fact that within a week the Shah was compelled to reverse himself and to accept Mossadegh as minister of war inevitably damaged his prestige and underscored the fact that hereafter he must rule strictly as a constitutional monarch. Most Iranians, including the leaders of the National Front, are reluctant to abandon the ancient institution of monarchy, which is a symbol of unity. Consequently, despite the raucous slanders

of the Tudeh and the intrigues of some others, there seems little hope of success for any republican movement unless Shah Muhammed Reza should try to step beyond his constitutional role, which seems unlikely.

The lowering of the prestige of the Army and the security forces, another immediate aim and July gain of the Tudeh, is serious. Theoretically this might result in two diverse developments if the present government fails to rehabilitate the Army's prestige and morale: either further deterioration in morale and infiltration by the Tudeh to the point of probable success for a Communist coup, or, as in Egypt, a military coup of younger officers determined to avoid this danger and to recover the Army's lost pre-eminence. Of the two, the latter seems less likely, and neither probable as long as Mossadegh remains in power and makes some progress with rehabilitation and reform.

Unquestionably much depends on the premier's use of his unlimited powers in getting genuine reform started. Thus far his attention has been centered on the economic rather than the political situation. A third of the deputies to the present Assembly, now in recess, are yet to be elected, and during this period it is doubtful whether electoral reforms will be initiated. Proposed tax reforms, including a 2 percent levy on property, are scarcely realistic; nor are they so regarded by Iranians, rich or poor. Difficulties of execution by the present governmental machinery are believed sufficient to preclude much success. The same may be said

of decrees for agricultural reform, more radical in theory than practical in application.

The significance of these proposals, however, lies in the very fact they are made—openly and seriously. Even though Mossadegh wins the first round of his struggle on oil, or enough to ward off economic bankruptcy and administrative disintegration, his fight has just begun. The cooperation of the Anglo-Iranian with domestic vested interests may be broken, but the latter are by no means neutralized. The well-organized Tudeh will strive to sabotage all reforms, will resist American efforts to help, and will cooperate with any gullible rightist elements to this end. As some Iranian editors put it, the struggle against black imperialism must be matched by a struggle against red imperialism. Successful reform is the only answer to the Reds; and to succeed, Mossadegh will need substantial support from the United States.

But what if Mossadegh fails—or passes on? That is one of the many contingencies in a complex situation. Until that contingency occurs, the hopes of many people in and beyond Iran must center on this weak yet strong, charming yet cantankerous, blunt yet subtle, transparent yet enigmatic Asian leader, who continues to symbolize the current upsurge of the Middle East.

(Dr. Young, associate professor of Persian language and history at Princeton University, has spent many years in Iran both before and after World War II. In 1945-46 he served in Teheran as the first public affairs officer of the United States Embassy; in 1951 he acted there as special political attaché; and in 1952 as a consultant.)

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347

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Trieste: Apple of Discord

by Philip E. Mosely

Dr. Mosely, since 1946 professor of international relations at the Russian Institute of Columbia University, was a member of the United States delegations to the Moscow conference of 1943, the Potsdam conference of 1945 and the Council of Foreign Ministers in 1945-46.

Yugoslavia's search for support in the West against Soviet pressures, reaffirmed at the Sixth Congress of the Yugoslav Communist party on November 3, and the approach of critical elections in Italy, in which moderate Premier Alcide de Gasperi's coalition rule may be threatened by extremist attacks from Right and Left, give special urgency to the problem of Trieste. So long as no lasting settlement is found, Trieste will remain a vulnerable point of conflict in the efforts to consolidate the political and strategic defenses of the West.

Moscow's Shift

During the peace treaty negotiations of 1945 and 1946, possession of Trieste was demanded with equal fierceness by Yugoslavia, then supported by the Soviet government, and by Italy, whose ethnic and historic claims received Western backing. In the then prevalent Western mood of seeking "reasonable compromises" with Moscow's demands, the four great powers agreed to withhold Trieste and nearby northwestern Istria from both claimants and to establish it as a Free Territory under protection of the United Nations. However, the four powers could not agree on the choice of a governor, and the treaty arrangements for the Free Territory have never come into force. Meanwhile, the area has remained divided between "Zone A" (Trieste and vicinity) under Anglo-American protection and "Zone B" (northwestern Istria) under Yugoslav control.

On the eve of the Italian elections of April 1948 the American, British and French governments announced their support for the return to Italy of the entire Free Territory, including Yugoslav-held Zone B. The June 1948 rupture between Belgrade and Moscow put a new complexion on this problem. It was now Moscow, turned bitter adversary of Marshal Tito's regime, which demanded that the treaty arrangements for the abortive Free Territory be carried out. This would require the Yugoslavs to surrender control over Zone B, a bitter blow to their prestige and perhaps to their internal unity. The Italian Communists have gone even further, obviously with Moscow's blessing, and now support the re-annexation of the entire Free Territory to Italy, thus joining with the ultranationalist Right in attacking de Gasperi and the Christian Democratic majority for failing to achieve recovery of Trieste despite its loyal support of NATO. In order to remove the sting from the Right-plus-Left attacks on de Gasperi, Britain and the United States, by their agreement of May 9, 1952, gave the Italian government a greatly enlarged voice in the affairs of Zone A, while retaining final responsibility for defense and public order.

For more than two years the Soviet government has refused to complete the Austrian treaty and thus to evacuate Eastern Austria unless the Western powers first join in carrying out the Italian treaty of 1947 and in establishing the Free Territory. This cleverly chosen Soviet

position creates some potential difficulty for the Yugoslav regime, for it, too, prefers the creation of the Free Territory to the return of Trieste to Italy. On the other hand, anxious to strengthen both Italy and Yugoslavia and, if at all possible, to bring about a reconciliation between them, the Western governments have been careful since 1949 to say as little as possible about their one-sided declaration of March 1948. Their efforts to bring about a settlement were presumably reinforced during British Foreign Minister Anthony Eden's visit to Marshal Tito in September.

City of Trieste at Stake

It is clear that Moscow's policy in the Trieste imbroglio is based primarily on its desire to weaken the Yugoslav regime, to foster rivalries among its component national groups, to prevent the development of any form of cooperation between Belgrade and Rome, and thus to apply the policy spelled out by Marshal Stalin in his *Bolshevik* article of October, of exploiting the many "contradictions" within the non-Soviet world. While the Yugoslav government has always admitted that the city of Trieste has a large Italian majority, it has also insisted that its future should be determined by the strongly Slovene character of the surrounding villages and by its alleged economic importance to Yugoslavia. To Italians, on the other hand, possession of Trieste, Italian in culture for centuries, represents a na-

(Continued on page 8)



U.S. Elections and the World

Every four years the world is simultaneously fascinated and terrified by the vehemence of American elections. The violent name-calling traditional to Americans gives the impression to foreign observers unacquainted with our folkways that this country is on the point of being rent by civil strife. In the smoke of fire-eating debates the issues at stake often seem obscure and their discussion appears to end inconclusively.

The Presidential campaign which closed on November 4 with a popular- and electoral-vote landslide for General Dwight D. Eisenhower held more than usual significance for overseas spectators. As they saw it, problems charged with dynamite—Korea, the reduction of American defense expenditures, the “liberation” of Eastern Europe—were tossed back and forth on public rostrums, on the radio, on TV, with no reference to the way innocent bystanders might get hit. While thoughtful people in all continents believed that the ghost of American isolationism had been laid once and for all, and that both candidates were sincerely committed to international cooperation, they found it difficult to fit the various campaign promises into a coherent pattern of foreign policy.

Reconciling Pledges

Other nations are eagerly waiting to see how the new Administration plans to reconcile Republican pledges of drastic cuts in taxes and defense expenditures with pledges of a more positive policy against Russia and communism in Europe and Asia. The Western European nations have made clear their desire to become independent of American financial

assistance and have stressed the slogan, “Trade, not aid,” but they do not believe it will be possible to increase military forces on the European continent without continued, and perhaps increased, aid by the United States. They are also wondering whether Republicans in Congress will be ready to ease tariff and customs restrictions so as to permit an increase in European exports to this country. For example, the French magazine *Paris-Match*, which is something like *Life* and very popular in France, said on October 24: “Europe must export. And if she gives up markets in the East she should be compensated by a wider opening of the American market.” That some American business men agree with the European view was indicated by the report, issued on November 11, of the Detroit Board of Commerce which proposes the elimination of all tariff barriers and adoption of a free-trade policy. The Asian nations, for their part, believe that only rapid economic and social development can effectively check communism, and hope that the economy plans of the Republican Administration will not spell cuts in appropriations for foreign technical assistance.

During the long Presidential campaign events did not mark time in the rest of the world. The new Administration will find that renewed tension between France and Germany has created fresh snags in plans to build a European Defense Community, that the economic resurgence of West Germany and Japan increasingly disturbs Britain and France, and that the Japanese look to the United States for replacement of the market and source of

raw materials they once had in mainland China. In the past few months our NATO partners have expressed considerable dissatisfaction over the alleged tendency of the United States to “domineer” over its allies, and this issue will doubtless be discussed at the NATO Council meeting in Paris on December 15. Both Europe and Asia are keenly interested in General Eisenhower’s projected visit to Korea. Both hope that he will find a way to end the war there without having to resort either to “appeasement” or to threats of an enlarged conflict. And now that the elections are over the United Nations General Assembly, which has been marking time in New York since its opening on October 14, has begun to discuss the explosive issues of Korea, Tunisia and Morocco, and South Africa’s treatment of nonwhites.

Review in Store

John Foster Dulles, author of the Republican party’s foreign policy plank at Chicago, issued a statement on November 5 assuring “our friends abroad” that American foreign policy would not be changed to their disadvantage. The non-Communist countries in and out of the United Nations are now waiting to see Republican views spelled out in specific terms. For they are keenly aware that the winning slogan, “Time for a change,” will mean, at the very least, thoroughgoing review of the policy followed by a 20-year Democratic Administration, particularly on issues vigorously stressed by Republican spokesmen during the campaign, notably liberation of Eastern Europe and stronger action in Asia.

VERA MICHELES DEAN



Trends in World Trade

by **Harold H. Hutcheson**

Dr. Hutcheson, former economist on the research staff of the Foreign Policy Association, has written extensively on postwar international economic problems. He is now with the International Business Machines World Trade Corporation.

Since the end of World War II the world has experienced a considerable growth of production and trade. Progress has been substantial and on a broad front. Recovery has been much more rapid than was the case after World War I. Given the losses to be made good and the further handicap of economic problems antedating the global conflict of 1939-45, the achievements to date are notable.

But encouraging as this performance has been, it must be admitted that the situation today leaves much to be desired. The gains thus far registered have not been consolidated.

Unsolved Problems

A brief review of the recovery effort since 1945 reveals the task that lies ahead if the Western world is to enjoy sustained economic progress. Simply stated, our goal has been a monetary system in which the major currencies are freely convertible, trade expands on a multilateral basis to permit maximum gains in productivity through greater specialization, and capital flows between nations on a large scale to promote the development of resources. Unhappily, however, there is a long road to be traveled before these objectives are reached.

The "dollar shortage" continues. The British pound sterling and other leading currencies remain inconvertible. Yet convertibility is a precondition for the growth of multilateral commerce. Lacking adequate reserves, nations closely regulate their imports and are not anxious to give up bilateral arrangements. It is true

that in some instances trade restrictions have been liberalized. A good example is the reduction of quantitative import controls by the 18 members of the European Payments Union* whose mutual trade increased more than 60 percent between 1948 and 1951. Negotiations among the signatories to the General Agreement on Tariffs and Trade (GATT), beginning with the sessions held in Geneva in 1947, have also resulted in tariff cuts. But generally speaking, progress toward freer world trade has been limited. Currently there are clear signs of a trend toward protectionism, including growing opposition to foreign competition on the part of some American industries.

Since little headway has been made in achieving convertible currencies and freer trade, it is not surprising to find that the international flow of private capital remains at a low level. British, French and Dutch investors no longer possess funds to lend abroad freely as in the past. Only the United States is in a position to provide capital on a large scale. Since the war this country has invested heavily in Canada, certain Latin American republics, and the Middle East (in petroleum development). Elsewhere, however, our investments have been relatively small. No outflow of capital comparable to that formerly maintained by the

European creditor nations has developed. Domestic outlets for savings are ample and highly attractive, while abroad conditions are generally unfavorable. The less developed countries depend to a large extent on intergovernmental grants and credits, mainly from the United States. The revival of private foreign investment will be determined by a number of factors, not the least of which is a review of the role of external financing in world economic development.

The International Bank for Reconstruction and Development is making an important contribution in this connection. The bank has done much to demonstrate the necessity for careful planning of investment projects requiring capital imports. Other United Nations agencies are studying the development problems of particular countries and areas. We are learning that economic progress is an intricate process. With similar considerations in mind, the National Planning Association recently announced a series of case studies of selected American enterprises now operating successfully overseas. Such surveys, it is hoped, will provide a practical guide for future investments.

Until a better balance is established in the world's productive capacity, a satisfactory equilibrium in international payments will be impossible. The problem of imbalance existed before 1939; since then it has become much more serious. The war greatly reduced the productive power of Western Europe, while that of the

*The 18 members of the European Payments Union (EPU) are Austria, Belgium, Denmark, Finland, France, Greece, Iceland, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, Britain and West Germany.

United States underwent a large expansion, absolutely and relatively. Moreover, the sharp decline of Western Europe's overseas assets means greater dependence on exports of goods and services to finance essential imports.

The Inflationary Gap

The Old World has therefore undertaken a vast program of reconstruction and development. Unless, however, these investments are financed out of real savings, the resulting inflationary pressure will be considerable. Such has been the experience of Western Europe since the war. Highly progressive taxation has diminished the amount by which personal income exceeds consumption expenditures. Savings tend to be less than the amount needed to finance investment. Conditions differ from country to country, but the general pattern since 1945 has been one of total demand exceeding available resources. Inflation remains a major problem in many countries. It is never easy, and certainly not politically expedient, to cut back consumption. On the other hand, to reduce investment outlays means to postpone further the improvement of productive power, without which the foreign trade position cannot be righted.

After the outbreak of the Korean war in mid-1950, foreign dollar reserves increased considerably, particularly those of the sterling area. Feverish stockpiling of rubber, tin, wool, copper and other raw materials caused a skyrocketing of prices and a rise in the volume of American imports. As a result, gold and dollar reserves held in London increased by \$1,612 million during 1950. In the first quarter of 1951 there was a further rise of \$458 million. To some extent, however, these gains were illusory, for Britain, and also France,

reduced domestic stocks of raw materials in order to gain larger exchange reserves.

Moreover, the commodity boom was short-lived. Prices reached a peak early in 1951. By August the New York and London indexes of staple commodities were only 25 percent above the early 1950 level. A further downward movement occurred at the beginning of 1952. Needless to say, the slump in raw material prices reduced the dollar earnings of the British Commonwealth. Sterling area imports rose rapidly in the second half of 1951; Britain had to import more to rebuild its inventories. Accordingly, a substantial drain on the London reserves took place, the reduction amounting to \$1,532 million in the last half of 1951 and another \$636 million in the first quarter of 1952. A payments crisis developed rapidly; by June 1952 the London gold and dollar balance totaled only \$1,685 million. Once again Britain had to impose emergency import cuts. Another export drive was launched.

In varying degrees most Western European countries have experienced adverse developments in their trade position as a result of the Korean war. The inflationary rise of food and raw material prices made the terms of trade more unfavorable. A larger volume of exports is now required to obtain a given quantity of imports. In recent months the supply situation has eased considerably. But although prices of primary products are down, as noted above, they remain above the pre-Korean level. Meanwhile, because of the new wave of import restrictions, the attempt to strengthen exchange reserves through increased exports has been only partly successful. The hard-currency shortage continues to be a major problem, with no lasting solution yet in sight.

The large outlays for rearmament

have created an additional drain on resources, internal and external. Industries which produce military equipment and supplies are also those on which the export drive depends. Without assistance from this country, no large rearmament program would be possible. In the case of Britain, further cutbacks have been necessary to ease the strain on the balance of payments. National income data for 1951, recently published by the British government, show a decline of both personal consumption and capital formation. But despite these adjustments, the inflationary gap was larger than before. Clearly, Britain has been attempting more than its resources can support. Other countries, especially those undertaking development programs, display the same inability to equate demand and production without further inflation. Internal lack of balance generates external imbalance.

U.S. Trade Position

It has been frequently pointed out that Western Europe will not become economically independent until there is regional integration. Accordingly, the Schuman plan for the iron and steel industries is widely acclaimed. But while cooperation offers undeniable advantages, no conceivable economic union in Western Europe can make that region self-sufficing. On the contrary, a large overseas trade is indispensable. This means that Western Europe must find adequate foreign markets to permit the exchange of its manufactures for food and raw materials.

To compete effectively, however, industrial Europe must match the productive efficiency of the United States, its main rival. In this country capital formation since 1945 has broken all previous records. Our manufacturing capacity has increased by 50 percent; petroleum capacity is

up by 63 percent; while steel capacity is larger by 20 percent. The farmers have also set new production records. At the same time, exports have greatly expanded. Although total exports are only 5.1 percent of the gross national product (1947-51 average), foreign trade is much more important for a number of industries than is indicated by this figure. The United States is now the world's leading exporter. Our imports are also the largest of any nation. This country is the leading consumer of most raw materials.

Impact of U. S.

These changes in the economic position of the United States are a matter of great significance to Western Europe. During and since the war we have increased our share of markets in which European exporters were formerly dominant. The tremendous rise in imports has given other nations, the primary producers in particular, a larger supply of dollar exchange, but much of the increase has been used to finance increased exports from the United States rather than Europe. In short, the interdependence of this country and other trading areas is greater than before the war.

The superior productivity of the United States is one reason why European exporters have been handicapped in expanding their market here and elsewhere. It must be admitted, however, that the tariff system and restrictive customs formalities of this country represent another factor. While we have reduced many duties, the rates applied to a number of important items remain high. Moreover, since we seek concessions in favor of our exports, there is little opportunity for other nations to raise the export-import ratio in their commerce with the United States. The trade agreements program has not

done much to reduce the American export surplus. All treaties now in force include an "escape clause" which permits cancellation of concessions should the increase of imports threaten domestic producers. Calling attention to the "increasing body of restrictive laws" in this country, President Truman last summer requested the Public Advisory Board for the Mutual Security Agency to make a full investigation of the conflict between our foreign trade legislation and the desire to strengthen the economy of the free world. The policy of restricting trade with the Soviet bloc, he pointed out, makes it imperative that other markets be expanded for the benefit of our allies; who cannot prosper unless they increase their export trade.

Whatever the causes, Western Europe has been unable to recover its prewar share of American imports. As late as the second half of 1950, when the outbreak of war in Korea caused a buying spree here, Western Europe supplied only 16 percent of our imports, compared with 25 percent in 1938. The alternative to earning dollars directly is to develop production and trade that will permit a saving of scarce dollar exchange.

Europe has followed such a policy since the war, as witness the effort to expand domestic agricultural output and the production of overseas territories, especially in Africa. Seeking a permanent solution to their dollar problem, the British are also giving increasing attention to the possibilities of a larger trade within the sterling area. This subject was discussed at a meeting of Commonwealth prime ministers in January 1952 and was examined in greater detail at another gathering in London during November. On the Continent, the Consultative Assembly of the Council of Europe adopted a proposal at its September session

calling for the creation of a vast new trading bloc which would include the British Commonwealth and all European overseas territories. Such projects, however, are unlikely to accomplish much unless there is a sizeable outlay of capital to increase overseas productive capacity and income. Since Europe is not in a position to provide the required financing, it is hoped that American investors can be induced to supply funds.

In short, it is apparent that the free world has not yet created a workable trade pattern that will enable all members to pay their own way without a serious reduction of consumption and investment. Continued American aid is unsatisfactory to all concerned. What is desired is the growth of commerce on a reciprocal basis. Just as in the domestic economy the highest productivity is obtained through division of labor, so also in foreign trade specialization must be accepted as the general rule. Free enterprise means competition, foreign as well as domestic. Faced with the threat of aggression, the West must promote strength through greater economic unity. On the foreign trade front, this will be possible only when those who wish to sell are also willing to buy.

READING SUGGESTIONS: Richard M. Bissell, "Foreign Aid: What Sort? How Much? How Long?" *Foreign Affairs* (October 1952); W. Jack Butler, "Public Relations for Industry in Underdeveloped Countries," *Harvard Business Review* (September-October 1952); William Diebold, Jr., *Trade and Payments in Western Europe* (New York, Harper, 1952); Ambassador William H. Draper, Jr., United States Special Representative in Europe, *Report to the President* (Paris, August 22, 1952); United Nations Department of Economic Affairs, *World Economic Report, 1950-51* (New York, April 1952); United States Council, International Chamber of Commerce, *The East-West Trade Controversy* (New York, 1952).

Mosely

(Continued from page 3)

tional right which cannot be relinquished. In addition, many Italians still feel that most of Istria should belong to them, and a few hotheads even demand the ethnically indefensible boundary of pre-1939.

The Italian fear that whatever settlement might be reached on paper, the Yugoslavs will never sincerely give up their demand for Trieste, and the Yugoslav fear that, having renounced Trieste, they will only encourage further irredentist demands by Italy, are probably the greatest obstacles to any genuine settlement. Meanwhile the Yugoslav claim to popular support within Zone A has been weakened by the results of the local elections of May 26, which were supervised with exemplary impartiality by the Anglo-American military government. In these elections the pro-Tito parties received 4,914 votes out of a total of 180,849. The groups favoring an independent Free Territory received 22,516, against 11,476 in 1949. The Christian Democrats (32.5 percent), the pro-Moscow Communists (18.3 percent), and the Italian Social Movement, regarded as neo-Fascist (11.3 percent), were agreed only in supporting the return of Trieste to Italy.

In the event of a war in Europe

Yugoslavia and Italy would obviously stand or fall together. Northern Italy can be defended only on Yugoslav soil, while in turn the Po Valley would serve as the marshalling area for NATO armies, massive equipment and air power. Yugoslavia and Italy could also profit greatly through intensified economic cooperation. They have many natural advantages both in proximity and in the exchange of Italy's wide range of manufactured goods for foodstuffs (although not in 1952, a year of drought in Yugoslavia), timber and minerals. Both Yugoslavia and Italy disregard this community of interest and, perhaps, of fate. Each assumes that since its independence is important to the West, its particular ambitions should have priority in any settlement of the Trieste problem.

The Western powers have frequently made clear their hope that Italy and Yugoslavia will reach a

mutually acceptable settlement and have apparently refrained from using economic or strategic pressure upon either. It is anybody's guess whether their policy of strengthening both countries without being able to persuade them to remove this obstacle to the consolidation of the Western defense system will prove workable in the long pull. It seems clear that both Italy and Yugoslavia prefer, for the present, to keep alive their larger and incompatible claims. Perhaps each government, Micawber-like, hopes that "something will turn up" which will enable it to fulfill its maximum ambition, of course at the expense of the other. Meanwhile, both sides prefer to see the Trieste apple of discord withheld from its rival by the presence of Anglo-American troops rather than come to a compromise settlement which is bound to disappoint their rival ambitions.

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